

**Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554**

In the Matter of	)	
	)	
Federal-State Joint Board	)	CC Docket No. 96-45
On Universal Service	)	

**Second Further Notice of Proposed Rulemaking**

**Comments of Beacon Telecommunications Advisors, LLC**

Beacon Telecommunications Advisors, LLC (Beacon) submits these comments in response to the Commission’s Report And Order And Second Further Notice of Proposed Rulemaking in the above-captioned proceeding outlined in FCC 02-329. Beacon is a regulatory, financial, and management consulting firm providing services to small, rural, and tribal local exchange carriers (LECs) throughout the United States.

**Basing Universal Service Support (USS) Contributions on Projected Revenues**

Beacon believes the Commission’s currently adopted methodology of assessing USS contributions based on projected end user interstate and international telecommunications revenues will provide a reasonable means to fund universal service obligations on a long term basis. Beacon trusts that this approach will work for various reasons: 1) in accepting to presently utilize this mechanism, the Commission must see merit in its foundation. Otherwise, even on an interim basis, this approach would not work; 2) Section 254(b)(4) of the Act mandates that all providers of telecommunications services should make an equitable and nondiscriminatory contribution to the preservation and advancement of universal service. The current methodology meets this directive; 3) administratively, the current system has a history of working, is supportable, and is maintainable. In other words, the “kinks” have been worked out that are generally associated with a new regime; 4) assessing USS contributions based on projected end

user interstate and international telecommunications revenue suppresses the Commission's concerns regarding the fairness of overcharging "residential consumers that place no long distance calls;"<sup>1</sup> and 5) lastly, regarding the theory of declining interstate revenues and therefore a declining contribution base, Beacon continues to believe that interstate and international revenues will continue to grow. Several commenters suggest that with competition and the resulting decrease in toll revenues, interstate and international revenues will decrease. Beacon believes that instead of this situation happening, competition and Section 271 application approvals by the Commission will encourage stimulation of toll calling, thereby increasing the contribution base and ultimately decreasing the contribution factor for all parties. Assessing this contribution factor on projected revenues instead of historical revenues will only prove to make the system more reliable and accurate.

### **Connection-Based Approaches**

Should the Commission choose to further contemplate a connection-based approach to assessing USS contributions, and in considering the three connections-based alternatives proposed by the Commission in this proceeding<sup>2</sup>, Beacon urges the Commission to reflect on a fair, just, equitable, and nondiscriminatory method for all carriers. For example, requiring multi-line business connections to be assessed "at levels sufficient to cover residual USS funding requirements"<sup>3</sup> is discriminatory. Small businesses represent the majority of business entities in rural communities, and requiring these businesses to make up a shortfall for a connections-based policy issue that does not serve the public interest in rural communities is not only unfair and inequitable, but doing so blatantly violates Section 254 of the Act.

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<sup>1</sup> Docket No. 96-45, FCC 02-329, Report and Order and Second Further Notice of Proposed Rulemaking, para. 73

<sup>2</sup> Ibid, para. 69

<sup>3</sup> Ibid, para. 75

**Conclusion**

Beacon urges the Commission to carefully contemplate the alternatives to a revenue-based approach in assessing USS contributions. Small, rural, and tribal LECs generally do not have the resources necessary to stay abreast of a complicated system that will create additional burdens and obligations, such as what appears to be proposed under a connections-based approach.

Respectfully submitted,

**Beacon Telecommunications Advisors, LLC**

[Filed Electronically]

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